

VI. DIVIDENDS, INTEREST, AND RENT

Personal dividend income, personal interest income, and rental income of persons with capital consumption adjustment are sometimes referred to as “investment income” or “property income.” These three components of personal income are presented together in the state and county estimates. These components accounted for about 16 percent of personal income at the national level in 2003 (table E).

Personal dividend income

Personal dividend income includes the dividends received by individuals, by employee retirement plans, and by quasi-individuals—nonprofit institutions and fiduciaries. This income consists of payments in cash and in other assets, excluding the corporation’s own stock, made by corporations located in the United States or abroad to stockholders who are U.S. residents. Personal dividend income accounted for about 4 percent of personal income at the national level in 2003 (table E).

Dividends received by individuals and quasi-individuals.—State estimates of the dividends received by individuals are combined with state estimates of the dividends received by quasi-individuals and the combined estimates are allocated to counties using county tabulations of dividends reported on individual income tax return form 1040 from the Individual Master File (IMF) of the Internal Revenue Service (IRS).¹

Dividend income received by employee retirement plans.—The dividend income received by employee retirement plans comprises the dividends received by private pension plans, by the Federal civilian employees’ Thrift Savings Plan (TSP), and by state and local government employee retirement plans. For each of these plans, a portion of the dividends is assumed received on behalf of current employees, and a portion on behalf of retired persons and their survivors.²

For the dividends received by the private pension plans, the state estimates of the currently employed portion are allocated to counties using place-of-residence estimates of employer contributions to these plans.³ The state

¹ The IMF data become available about 18 months after the end of the reference year. Until they become available, the county allocators for the previous year are used.

² For private pension plans, the division of dividends into currently-employed and retired portions is based largely on participation rates in the social security retirement system. The division corresponds roughly to the relative numbers of the participants—those making contributions and those receiving benefits.

³ The place-of-residence estimates of employer contributions to private pension plans are based on 1990 and 2000 benchmark estimates: The 1990 and 2000 national estimates of the contributions for each Standard Industrial Classification two-digit industry are allocated to states and then to counties in proportion to the earnings of wage and salary workers employed in that industry as reported in the 1990 and 2000 Census of Population. The 1991-1999 estimates are straight-line interpolations between the benchmark years. The 2000 state estimate for each industry is then extrapolated to subsequent years by the

estimates of the retired portion are allocated to counties using Old-age, survivors and disability (OASDI or social security) insurance benefits.⁴

For the dividends received by the Thrift Savings Plan, the state estimates of the currently employed portion are allocated to counties using residence-adjusted county estimates of Federal civilian wages and salaries; the state estimates of the retired portion, are allocated using county estimates of Federal civilian retirement benefits.⁵

State estimates of the dividends received by the state and local government employee retirement plans, both the currently employed and the retired portions, are allocated to counties in proportion to place-of-residence wages and salaries.

Personal interest income

Personal interest income is the interest income (monetary and imputed) from all sources that is received by individuals, employee retirement plans, and quasi-individuals. Personal interest income accounted for just over 10 percent of total personal income at the national level in 2003 (table E); monetary interest accounted for about 6 percent and imputed interest for about 4 percent.

Monetary interest received by individuals and quasi-individuals.—

The monetary interest received by individuals and quasi-individuals consists largely of interest that is reportable for Federal individual income tax purposes—including the nontaxable interest from municipal bonds.⁶ It also includes the interest accrued on Individual Retirement Arrangements (IRAs) and other tax-deferred savings accounts in the year in which the interest is earned. (The IMF interest data do not include this interest because it is reported on tax returns as part of taxable withdrawals, not as interest, in the year in which the funds are withdrawn.)

The state estimates of the monetary interest received by individuals and by quasi-individuals are combined, and the combined estimates are used as the control totals for the county estimates. The state estimates are allocated to counties in proportion to IMF data for taxable interest reported on form 1040 supplemented by a series prepared from the IMF dividends data. The supplementation is necessary because the reportable interest that is received by

relative change in the BEA estimates of wage and salary disbursements for the industry. The estimates by industry are then summed to the all-industry level. The 2000 county estimates are summed to the all-industry level and then extrapolated to subsequent years by the relative change in all-industry, place-of-residence wages and salaries, which is approximated as the sum of place-of-work wages and salaries and the adjustment for residence.

⁴ See Chapter VII Personal Current Transfer Receipts.

⁵ County estimates of benefits (including lump-sum withdrawals) received by retirees and their survivors from the following retirement plans: The Civil Service Retirement System; the Basic Benefit Plan of the Federal Employees Retirement System; and special contributory and noncontributory retirement plans, such as those of the Foreign Service, the Federal Reserve Board, and the Tennessee Valley Authority are obtained from the Census Bureau's *Consolidated Federal Funds Report*.

⁶ Although interest from municipal bonds is nontaxable it must still be reported on form 1040.

individuals from regulated investment companies, such as money market mutual funds, is reported as dividend income on form 1040.

The county estimates are prepared in four steps. First, the national ratio of the estimate of the reportable interest received by individuals from regulated investment companies to the sum of this interest and the estimate of the dividends (excluding such interest) received by individuals is calculated.⁷ Second, this ratio is multiplied by the IMF dividends for each county to yield an estimate of the interest received from regulated investment companies that is reported as dividends. Third, this estimate of interest is added to the IMF county tabulations of interest to yield preliminary county estimates of interest. Fourth, the state control totals of the interest received by individuals and by quasi-individuals are allocated to counties in proportion to the preliminary estimates.

Monetary interest received by employee retirement plans.—Monetary interest received by employee retirement plans comprises the interest received by private pension plans, Federal civilian employee retirement plans (including the Thrift Savings Plan), the military retirement plan, and state and local government employee retirement plans.

For the military plan, a portion of the interest is assumed to be received on behalf of those currently serving, and a portion on behalf of retired persons and their survivors.⁸ The state estimates of the currently employed portion are allocated to counties using residence-adjusted estimates of the pay of active-duty military personnel. The retired portion is allocated to counties using estimates of Federal military retirement benefits from the Census Bureau's *Consolidated Federal Funds Report*.

The state estimates of interest received by the Federal civilian plans is allocated to counties in the same manner described above for the dividends received by the Thrift Savings Plan. The state estimates of the interest received by private pension plans and by state and local government employee retirement plans is allocated to counties in the same manner described above for the dividends they receive.

Imputed interest income—Imputed interest received by persons consists of the investment income that is received on behalf of individuals by life insurance carriers, the imputed interest that is received by persons from banks, credit agencies, and regulated investment companies, and premium supplements received by persons from property and casualty insurance companies.⁹ State estimates of each type of imputed interest are allocated to

⁷ The national estimate of the reportable interest that is received by individuals from these companies is prepared as part of the reconciliation of personal income and adjusted gross income. See Mark A. Ledbetter, "Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income: New estimates for 2002: Revised estimates for 2001," *Survey of Current Business* 84 (November 2004): 9-14.

⁸ The division of the interest of the military retirement plan into current and retired portions is based on information obtained from the Department of Defense.

⁹ For additional information, see "Imputation" in Chapter XII Technical Notes.

counties in proportion to interest reported by individuals to the IRS, as tabulated from the IMF.

Rental Income of Persons

The rental income of persons with capital consumption adjustment is the net current-production income of persons from the rental of real property (except for the income of persons primarily engaged in the real estate business); the imputed net rental income received by owner-occupants of dwellings; and the royalties received by persons from patents, copyrights, and rights to natural resources.¹⁰ The estimates include BEA adjustments for uninsured losses to fixed capital caused by disasters, such as hurricanes and floods. The national estimate of the rental income of persons accounted for 1.68 percent of total personal income in 2003 (table E). Monetary rental income accounted for 0.67 percent of total personal income, and imputed rental income accounted for 1.01 percent.

Monetary rental income

County estimates of monetary rental income are prepared in two parts: The net rents and royalties received by individuals and quasi-individuals and the net rents and royalties received by private pension plans.

Net rents and royalties received by individuals and quasi-individuals.—Because the available state and county data are unreliable, the national estimate of the rents received by individuals, (excluding disaster adjustments and rents to farm operators), is allocated to states—and the state estimates, to counties—in proportion to the tabulations of IMF data for gross rents and royalties reported on Schedule E of form 1040.¹¹ The national disaster adjustments are assigned to states and counties on the basis of data from the Federal Emergency Management Agency and private sources. The national estimate of monetary rents received by farm landlords is allocated to the states—and the state estimates, to counties, in proportion to gross rental value of farm dwellings from the Census of Agriculture. Data between census years are interpolated and data from the 1997 Census are used for subsequent years.

The state estimates of the royalties received by individuals are allocated to counties in proportion to the IMF data for interest.

The state estimates of the rents and royalties received by nonprofit organizations and fiduciaries are allocated to counties using rents and royalties received by individuals excluding disaster adjustments.

¹⁰ The net rental income received by persons who are primarily engaged in the real estate business is included in nonfarm proprietors' income.

¹¹ The Internal Revenue Service formerly provided BEA with unpublished estimates of net rents for states based on the Statistics of Income (SOI) sample from the IMF. When the sample size was reduced, it became unreliable for the estimation of monetary rent because of large sampling errors in the estimates for the less populous states.

Net rents and royalties received by private pension plans.—A portion of the rents and royalties received by private pension plans is assumed to be received on behalf of current employees, and a portion on behalf of retired persons and their survivors.¹² The state estimates of the currently employed portion are allocated to counties using residence-adjusted estimates of employer contributions to these plans.¹³ The state estimates of the retired portion are allocated using county estimates of OASDI insurance benefits.

Imputed rental income

Imputed rent is an imputation for the net rental income of owner-occupied housing. It is based on the assumption that owner-occupants are in the rental business and that they are renting the houses in which they live to themselves: As tenants, they pay rent to the landlords (that is, to themselves); as landlords, they collect rent from their tenants (that is, from themselves), they incur expenses, and they may have a profit or a loss from the rental business. The state and county estimates of imputed net rental income are prepared in two parts: Imputed net rent received by the owner-occupants of mobile homes and imputed net rent received by the owner-occupants of all other dwellings.¹⁴

Imputed net rent from mobile homes.—The national estimates of imputed net rent from mobile homes for 2000 and later years were allocated to states and counties in proportion to the number of mobile homes from the 2000 Census of Housing.

Imputed net rent from all other dwellings.—National estimates of the imputed net income received from the rental of all other dwellings for census years were allocated to states and counties using estimates of the gross rental value of owner-occupied, single-family dwellings derived from Census of Housing. Intercensal estimates of gross rental values are straight-line interpolations of the census benchmarks. The state estimates for years after 2000 are allocated to counties in proportion to the 2000 county estimates.

¹² See footnote 2.

¹³ See footnote 3.

¹⁴ For additional information, see “Imputation” in Chapter XII Technical Notes.